

April 25, 1995

DOCKET NO. G-002/M-94-1054

ORDER MODIFYING NEW AREA SURCHARGE RIDER AND ESTABLISHING  
REPORTING AND ACCOUNTING REQUIREMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Joel Jacobs  
Marshall Johnson  
Dee Knaak

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Petition of  
Northern States Power Company -  
Gas Utility for a Miscellaneous  
Rate Change to Modify its Surcharge  
Rider No. 2

ISSUE DATE: April 25, 1995

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**PROCEDURAL HISTORY**

On November 10, 1994 Northern States Power Company - Gas Utility (NSP or the Company) filed a petition to add three customer classes -- Large General Service, Large Interruptible Service, and Transportation Service -- to its New Area Surcharge Rider for the Brainerd lakes area (the Lakes Area).

On January 11, 1995 the Department of Public Service (the Department) filed comments. The Department supported the Company's proposal and recommended specific accounting and annual reporting requirements.

On January 20, 1995 the Company filed reply comments. The Company took issue with two statements in the Department's comments and opposed the reporting requirements the Department recommended.

The matter came before the Commission on April 13, 1995.

## **FINDINGS AND CONCLUSIONS**

### **I. Factual Background**

New area surcharges are rate additives designed to recover, over time, the cost of major system expansions from customers who receive gas service as a result of those expansions. These surcharges allow companies to bring natural gas service to areas it would otherwise be uneconomic to serve.

When the Company filed its original surcharge proposal, approved in May 1994,<sup>1</sup> it requested surcharges for three customer classes: Residential, Commercial and Industrial, and Small Interruptible. At that time, the Company did not expect to have customers in other classes in the Lakes Area.

Subsequently, however, two resorts the Company had expected to take service on the Commercial and Industrial tariff opted for Large General Service status instead. Faced with the need to develop a Large General Service surcharge, the Company decided to develop Large Interruptible and Transportation surcharges at the same time.

The proposed monthly surcharges are \$225 for the Large General Service class, \$275 for the Large Interruptible class, and \$300 for the Firm and Interruptible Transportation classes.

### **II. The Parties' Positions**

The Department supported the proposed surcharge amounts, advocated requiring a unique division number for accounting entries pertaining to the Lakes Area expansion, and recommended detailed annual reporting on any changes in the Company's expansion plans, estimated costs, or numbers of customers.

NSP stated it had already adopted the accounting procedure recommended by the Department. The Company objected to the proposed annual reporting requirements as burdensome and duplicative. Finally, the Company took issue with two statements in the Department's comments.

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<sup>1</sup> In the Matter of a Request from Northern States Power Gas Utility for a Miscellaneous Rate Change to Establish a New Area Surcharge, ORDER APPROVING AND MODIFYING NEW AREA SURCHARGE TARIFF, Docket No. G-002/M-94-156 (May 13, 1994).

First, the Company objected to the Department's claim that customers who can choose between two classes of service should not pay lower surcharges as a result of exercising that choice. The Company pointed out that Commission rules require utilities to help customers choose the most economical class of service that will meet their needs. In the Company's view, this discredits any claim that law or policy requires equalizing surcharges between similar customers in different rate classes.

Second, the Company claimed the Department ignored fundamental ratemaking principles by stating, "the cost of the New Area Expansion should be paid exclusively by customers in that area or by NSP stockholders. . . ."

### **III. Commission Action**

The Commission will approve the proposed surcharge amounts, clarify that the reporting requirements proposed by the Department are required under the original surcharge Order, and adopt the accounting requirements proposed by the Department. These actions are explained below.

#### **A. Surcharge Amounts Approved**

The Commission has examined the proposed surcharge amounts, finds them just and reasonable, and will approve them. They will recover an equitable portion of this expansion project's costs and are expected to accelerate slightly the completion of the surcharge process.

The Commission also agrees with the Company and the Department that it makes sense to set Transportation and Large Interruptible surcharges now, rather than wait for customers in those classes to appear. The facts necessary to calculate the surcharges are known now; waiting can only result in delaying service, or having to quote estimated rates, to future customers. Having effective rates in place is clearly the better practice.

The Commission makes no finding on the Department's discussion of the fairness issues posed by some customers' ability to choose one rate class (and one surcharge level) over another. The facts here do not compel analysis or resolution of those issues.

The Commission takes a common sense view of the Department's statement that the costs of the expansion should be borne exclusively by expansion customers or shareholders and reads it as shorthand for the standard regulatory practice of requiring recovery of the capital costs of expansion from those groups.

## **B. Reporting Requirements**

The Department recommended expanding the annual reporting requirements of the original Order to include "any changes to the cost estimates or expansion plans and the customers served by those changes." The Company objected to these requirements as duplicative and burdensome.

The Company also claimed requiring customer-specific information was unnecessarily intrusive. The Department subsequently clarified it was not seeking customer names, just information on the number of customers in different customer classes.

The Commission believes the information identified by the Department is already required under the original Order, which contains the following annual reporting requirements:

- (a) updated cost information for each surcharge formula;
- (b) the number of customers served by each project;
- (c) actual capital costs and projected capital costs for each project, with an explanation of any significant discrepancies;
- (d) actual surcharge collections and projected surcharge collections for each project, with an explanation of any significant discrepancies.

In the Matter of a Request from Northern States Power Gas Utility for a Miscellaneous Rate Change to Establish a New Area Surcharge, ORDER APPROVING AND MODIFYING NEW AREA SURCHARGE TARIFF, Docket No. G-002/M-94-156 (May 13, 1994).

Complying with these requirements, e.g., explaining any significant discrepancies between actual and projected capital costs and actual and projected surcharge collections, would seem to require discussion of changes in projected and actual numbers of customers in different customer classes. The Commission clarifies that was its intent and is its expectation.

## **C. Accounting Requirements**

The Company states that it is already in compliance with Department recommendations that it establish a unique division number for capital costs associated with the Lakes Area expansion to facilitate regulatory and rate case review. The Commission agrees that the Company's compliance filing under the original Order demonstrates compliance with this requirement. The requirement will continue.

## **ORDER**

1. The Company's proposal to modify its Lakes Area surcharge rider is approved, effective on the date of this Order.
2. The Company shall include in annual reports required under the May 13, 1994 Order cited above a detailed discussion of any changes to its cost estimates, its expansion plans, and projected and actual numbers of customers in each customer class.
3. The Company shall continue to use the accounting procedures described in compliance filings under the original Order cited above, including its practice of using a unique division number for the capital costs of the Lakes Area expansion.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)